

## President's Message.

Fellow Citizens of the Senate and  
House of Representatives:

## THE RECONSTRUCTION LAWS.

Upon the re-assembling of Congress, it again becomes my duty to call your attention to the state of the Union and its disorganized condition under the various laws which have been passed upon the subject of reconstruction. It may be safely assumed as an axiom in the government of the States, that the greatest wrongs inflicted upon a people are caused by unjust and arbitrary legislation or by the unrelenting decrees of despotic rulers, and that the timely repeal of injurious and oppressive measures is the greatest good that can be conferred upon a nation. The legislator or the ruler who has the wisdom and magnanimity to retract his steps when convinced of his error, will, sooner or later, be rewarded with the respect and gratitude of an intelligent and patriotic people. Our own history, abundantly embracing a period less than a century, affords abundant proof that most, if not all, of our domestic troubles are directly traceable to violations of the organic law and to excessive legislation. The most striking illustrations of this fact are furnished by the enactments of the past three years upon the question of reconstruction. After a fair trial they have substantially failed and proved pernicious in their results, and hence seem to be no good reason why they should longer remain upon the statute book. States to which the constitution guarantees a republican form of government have been reduced to military dependencies, in each of which the people have been made subject to the arbitrary will of the commanding general. Although the Constitution requires that each State shall be represented in Congress, Virginia, Mississippi and Texas are yet excluded from the two Houses, and contrary to the express provisions of that instrument, they were denied participation in the recent election for a President and Vice President of the United States.

The attempt to place the whole population under the domination of persons of color in the South, has impaired, if not destroyed, the kindly relations that had previously existed between them, and mutual distrust has created a feeling of animosity which, leading in some instances to collision and bloodshed, has prevented that co-operation between the two races so essential to the success of industrial enterprises in the Southern States. Nor have the inhabitants of those States alone suffered from the disturbed condition of affairs growing out of these unconstitutional enactments. The entire Union has been agitated by grave apprehensions of trouble which might again involve the peace of the nation. Its interests have been injuriously affected by the derangement of business and labor, and consequent want of prosperity throughout that portion of the country. The Federal Constitution—the Magna Charta of American rights, under whose auspices and salutary provisions we have successfully conducted all our domestic and foreign affairs, sustained ourselves in peace and in war, and become a great nation among the powers of the earth—must assuredly now be adequate to the settlement of all questions growing out of the civil war waged alone for its vindication.

This great fact is made most manifest by the condition of the country. When Congress assembled in the month of December, 1865, civil strife had ceased, the spirit of rebellion had spent its entire force in the Southern States, the peace and warmth into a national life, and throughout the whole country a healthy reaction in public sentiment had taken place. By the application of the simple, yet effective provisions of the Constitution the Executive Department, with the voluntary aid of the States, had brought the work of restoration as near completion as was within the scope of its authority, and the nation was encouraged by the prospect of an early and satisfactory adjustment of all its difficulties. Congress, however, intervened, and refusing to perfect the work so nearly consummated, declined to admit members from the States, adopted courses of measures which arrested the progress of restoration, and frustrated all that had been successfully accomplished, and after three years of agitation and strife, has left the country further from the attainment of union and fraternal feeling than at the inception of the Congressional plan of reconstruction. It needs no argument to show that legislation which has produced such consequences should be abrogated or else made to conform to the genuine principles of republican government. Under the influence of party passion and sectional prejudice, other acts have been passed, not warranted by the Constitution.

## THE TENURE OF OFFICE BILL.

Congress has already been made familiar with my views respecting the Tenure of Office Bill. Experience has proved that its repeal is demanded by the best interests of the country, and that while it remains in force the President cannot enjoy that rigid accountability of officers so essential to all honest and efficient execution of the laws. Its revocation would enable the Executive Department to exercise the power of appointment and removal in accordance with the

original design of the Federal Constitution.

## INTERFERENCE WITH EXECUTIVE FUNCTIONS.

The act of March 2, 1867, making appropriations for the support of the army for the year ending June 30, 1868, and for other purposes, contains provisions which interfere with the President's constitutional functions as Commander-in-Chief of the army, and deny to the States of the Union the right to protect themselves by means of their own militia. These provisions should be at once annulled, for while the first might in times of great emergency seriously embarrass the Executive in his efforts to employ and direct the common strength of the nation for the protection and preservation, the other is contrary to the express declaration of the Constitution, to-wit: that a well regulated militia being necessary to the security of a free State, the right of the people to keep and bear arms shall not be infringed. It is believed that the report of all such laws would be accepted by the American people as at least a partial re-assertion to the fundamental principles of the Government, and an indication that hereafter the Constitution is to be made the Nation's safe and unerring guide. They should be productive of no permanent benefit to the country, and should not be permitted to stand as so many monuments of the deficient wisdom which has characterized our recent legislation.

## THE FINANCIAL QUESTION.

The condition of our finances demands the early and earnest consideration of Congress. Compared with the growth of our population, the public expenditures have reached an amount unprecedented in our history. The population of the United States in 1790 was nearly four millions of people. Increasing each decade about thirty-three per cent, it reached in 1860 thirty-one millions, an increase of seven hundred per cent. on the population in 1790. In 1865, it is estimated it will reach thirty-eight millions, or an increase of eight hundred and sixty-eight per cent. in seventy-nine years. The annual expenditures of the federal government in 1791 were four million two hundred dollars; in 1820, eighteen millions two hundred thousand dollars; in 1850, forty-one millions; in 1860, nearly thirteen hundred millions; and by 1869 it is estimated by the Secretary of the Treasury in his last annual report that they will be three hundred and seventy-two millions. By comparing the public disbursements of 1869, as estimated, with those of 1791, it will be seen that the increase of expenditures since the beginning of the government has been eight thousand six hundred and eighteen per centum, while the increase of the population for the same period was only eight hundred and sixty-eight per centum.

Again, the expenses of the Government in 1869, the year of peace immediately preceding the war, were only sixty-three millions, while in 1869, the year of peace three years after the war, as estimated there will be three hundred and seventy-two millions, an increase of four hundred and eighty-nine per centum, while the increase of population was only twenty-one per centum for the same period. These statistics further show that in 1791 the annual national expenses compared with the population were little more than one dollar per capita, and in 1869 they will reach the extravagant sum of nine dollars and seventy-eight cent per capita. It will be observed that these statements refer to and exhibit the disbursements of peace periods. It may therefore be of interest to compare the expenditures of the three war periods—the war with Great Britain, the Mexican war, and the war of the Rebellion. In 1814 the annual expenses incident to the war of 1812 reached their highest amount, about thirty-one millions, while our population slightly exceeded eight millions, showing an expenditure of only three dollars and eighty cents per capita. In 1847 the expenditures growing out of the Mexican war, reached the vast amount of \$1,290,000,000 which compared with the population of 34,000,000, gives \$38.20 per capita. From the 4th of March, 1869, to the 30th of June, 1861, the entire expenditures of the Government were \$1,700,000,000. During that period we were engaged in wars with Great Britain and Mexico, and involved in hostilities with powerful Indian tribes; Louisiana was purchased from France at a cost of 15,000,000; Florida was ceded to us by Spain for five millions; California was acquired from Mexico for fifteen millions; and the territory of New Mexico was obtained from Texas for the sum of ten millions. Early in 1861 the war of the rebellion commenced, and from the first of July of that year to the 30th of June, 1865, the public expenditures reached the enormous aggregate of thirty-three hundred millions. Three years of peace have intervened, and during that time the disbursements of the Government have been successively five hundred and twenty-five millions, three hundred and forty-six millions, and three hundred and ninety-three millions. Add to these three hundred and seventy-two millions, estimated as the sum necessary for the fiscal year ending the 30th of June, 1869, we obtain a total expenditure of sixteen hundred million dollars

during the four years immediately succeeding the war, or nearly as much as was expended during the seventy-two years preceding the rebellion, and embracing the extraordinary expenditures already named. These startling facts clearly illustrate the necessity of retrenchment in all branches of the public service. Amounts which were tolerated during the war for the preservation of the nation, will not be endured by the people now that profound peace prevails.

The receipts from internal revenues and customs have during the past three years gradually diminished, and the continuance of useless and extravagant expenditures will involve us in a national bankruptcy, or else make inevitable an increase of taxes already too onerous, and in many respects objectionable on account of their injurious character. One hundred millions annually are expended for the military force, a large portion of which is employed in the execution of laws, both unnecessary and unconstitutional. One hundred and fifty millions are required each year to pay the interest on the public debt, an army of tax gatherers impoverish the nation, and public agents, placed by Congress beyond the control of the Executive, divert large sums of money which they collect from the people in the name of the Government. Judicious legislation and prudent economy can alone remedy these defects, and avert evils which, if suffered to exist, can not fail to diminish confidence in the public councils, and weaken the attachment and respect of the people towards their political institutions. Without proper care, the small balance which it is estimated will remain in the Treasury at the close of the present fiscal year will not be realized, and additional millions will be added to a debt which is now enumerated by billions.

## RECEIPTS AND EXPENDITURES.

It is shown by the able and comprehensive report of the Secretary of the Treasury, that the receipts of the fiscal year ending June 30th, 1868, were \$405,638,083, and that the expenditures for the same period were \$377,340,284, leaving in the Treasury a surplus of \$28,297,798. It is estimated that the receipts during the present fiscal year ending June 30th, 1869, will be \$341,392,868, and the expenditures \$336,152,470, showing a small balance of \$5,240,338 in favor of the government. For the fiscal year ending June 30th, 1870, it is estimated that the receipts will amount to \$327,000,000, and the expenditures to \$303,000,000, leaving an estimated surplus of \$24,000,000.

## OUR NATIONAL INDEBTEDNESS.

It becomes proper in this connection to make a brief reference to our public indebtedness, which has accumulated with such alarming rapidity, and assumed such colossal proportions. In 1789, when the Government commenced operation under the Federal Constitution, it was burdened with an indebtedness of seventy-five millions of dollars, created during the war of the Revolution. This amount had been reduced to forty-five million dollars, when in 1812, war was declared against Great Britain. The three years' struggle that followed largely increased the national obligations, and in 1816 they had attained the sum of one hundred and twenty-seven millions. Wise and economical legislation, however, enabled the Government to pay the entire amount within a period of twenty years, and the extinguishment of the national debt filled the land with rejoicing, and was one of the great events of President Jackson's administration. After its redemption a large fund remained in the Treasury, which was deposited for safe keeping with the several States, on condition that it should be returned when required by the public wants. In 1849, the year after the termination of an expensive war with Mexico, we found ourselves involved in a debt of sixty-four millions, and this was the amount owed by the Government in 1860, just prior to the outbreak of the rebellion. In the spring of 1861 our civil war commenced. Each year of its continuance made an enormous addition to the debt, and when, in the spring of 1865, the nation successfully emerged from the conflict, the obligations of the government had reached the immense sum of \$2,873,992,000. The Secretary of the Treasury shows that on the 1st day of November, 1867, the debt had been reduced to \$2,491,504,450, but at the same time his report exhibits an increase during the past year of \$35,620,105, for the debt on the first day of November last amounted to \$2,527,124,555. It is estimated by the Secretary that the returns for the past month will add to the liabilities the further sum of eleven millions, making a total increase during thirteen months of eleven and a half millions.

## EXTINGUISHMENT OF OUR DEBT.

In my message to Congress of December 4th, 1865, it was suggested that the policy should be devised which, without being oppressive to the people, would at once begin to effect a reduction of the debt, and if persisted in would discharge it within a definite number of years. The Secretary of the Treasury forcibly recommends legislation of this character, and justly argues that the longer it is deferred the more difficult must become its accomplishment. We should follow the wise precedent established in 1789 and 1816, and without further delay make provision for the payment of our obligations at

as early a period as may be practicable. The fruits of their labors should be enjoyed by our citizens rather than used to build up and maintain monopolies in our own and other lands. Our foreign debt is already computed by the Secretary of the Treasury at eight hundred and fifty millions. Citizens receive interest on a large portion of our securities, and American tax-payers are made to contribute large sums for their support. The idea that such a debt is to become permanent should at all times be discarded as involving taxation too heavy to be borne by the people, and the payment, once in every sixteen years, at the present rate of interest, of an amount equal to the original sum. This vast debt, if permitted to become permanent and increasing, must eventually be cast into the hands of a few, and enable them to exert a dangerous and controlling power in the affairs of the government. The borrowers will become the servants of the lenders; the lenders the masters of the people. We now pride ourselves on having freedom for four millions of the colored race. It will then be our shame that forty millions of people, by their own toleration of usurpation and profligacy, have suffered themselves to be enslaved and mired changed slave owners for new task masters in the shape of bondholders and tax gatherers. Besides a permanent debt pertaining to monopolies, perpetuities and class legislation are totally irreconcilable with free institutions. Introduced into our republican system they would gradually but surely sap its foundations, eventually subvert our governmental fabric, and erect upon its ruins a monarchical aristocracy. It is our sacred duty to transmit unimpaired to our posterity the blessings of liberty, which were bequeathed to us by the founders of the Republic, and by our example teach those who are to follow us, carefully to avoid the dangers which threaten a free and independent people. Various plans have been proposed for the payment of the public debt. However they may have varied to the time and mode in which it should be redeemed, there seems to be a general concurrence as to the propriety and justice of a reduction in the present rate of interest. The Secretary of the Treasury in his report recommends a five per cent. Congress in its bill passed prior to the adjournment on the 27th of July last, agreed upon four and four and a half per cent. while, by many, three per cent. is held to be simply sufficient return for the investment.

The general impression as to the exorbitancy of the existing rate of interest has led to an inquiry by the public mind, respecting the consideration which the Government has actually received for its bonds, and the conclusion is becoming prevalent that the amount which it obtained was in real money, three or four hundred per cent. less than the obligations which it issued in return. It cannot be denied that we are paying an extravagant price for the use of the money borrowed, which was paper currency greatly depreciated below the value of coin. This fact is made apparent when we consider that bondholders receive from the Treasury upon each dollar they own (Government Securities) six cents in gold, which is nearly or quite equal to the nine per cent. in currency; that the bonds are then converted into capital for the National Banks, upon which these institutions issue their circulation bearing six per cent. interest, and that they are exempt from taxation by the Government and the States, and thereby enhanced two per cent. in the hands of the holder. We have thus an aggregate of seventeen per cent. which may be received upon each dollar by the owner of Government Securities. A system that produces such results is justly regarded as favoring a few at the expense of the many, and has led to the further inquiry whether our bondholders, in view of the large profits which they have enjoyed, would themselves be averse to a settlement of our indebtedness upon a plan which would yield them a fair remuneration, and at the same time be just to the tax-payers of the nation. Our national credit should be sacredly observed, but in making provision for our creditors, we should not forget what is due to the masses of the people. It may be assumed that the holders of our securities have already received upon their bonds a larger amount than their original investment, measured by a gold standard.

Upon this statement of facts it would seem just and equitable that the six per cent. interest now paid by the government should be applied to the reduction of the principal in semi-annual installments, which is sixteen years and eight months would liquidate the entire national debt. Six per cent. in gold would at present rates be equal to nine per cent. in currency, and equivalent to the payment of the debt one and a half times in a fraction less than seven years. This, in connection with all the other advantages derived from their investments, would afford to the public creditors a fair and liberal compensation for the use of their capital, and with this they should be satisfied. The lessons of the past admonish the leader that it is not well to be over anxious in exacting from the borrower rigid compliance with the letters of the bond. If provisions be made for the payment of the indebtedness of the government in the manner suggested, our nation will rapidly recover its wonted prosperity. Its interests require that some

measures should be taken to release the large amount of capital invested in the securities of the government. It is not now merely unproductive, but in taxation annually consumes one hundred and fifty million of dollars, which would otherwise be used by our enterprising people, adding to the wealth of the nation. Our commerce, which at one time successfully rivalled that of the great maritime powers, has rapidly diminished, and our industrial interests are in a depressed and languishing condition. The development of our inexhaustible resources is checked, and the fertile fields of the South are becoming waste for want of means to till them. With the release of capital, new life would be infused into the paralyzed energies of our people and activity imparted to every branch of industry. Our people need encouragement in their efforts to recover from the effects of the rebellion, and of injudicious legislation, and it should be the aim of the government to stimulate them by the prospect of an early release from the burdens which impede their prosperity. If we cannot take the burdens from their shoulders, we should at least manifest a willingness to help to bear them.

On the thirtieth of June, 1868, one hundred and seventy thousand six hundred and forty-three names were borne on the pension rolls, and during the year ending on that day the total amount of pensions, including the expenses of disbursements, was \$24,101,982, being \$5,391,025 greater than that expended for like purposes during the preceding year.

During the year ending the 30th of September last, expenses of the Patent Office exceeded the receipts by one hundred and seventy-one dollars. Including re-issues and designs, forty thousand one hundred and fifty-three patents were issued. Treaties with various Indian tribes have been concluded and will be submitted to the Senate for its constitutional action. I cordially sanction the stipulations which provide for reserving land for the various tribes, where they may be encouraged to abandon their nomadic habits and engage in agricultural and industrial pursuits. This policy, inaugurated many years since, has met with signal success, whenever it has been pursued in good faith and with becoming liberality by the United States. The necessity of extending it as far as practicable in our relations with the aboriginal population is greater now than at any other preceding period. Whilst we furnish subsistence and instruction to the Indians, and guarantee them undisturbed enjoyment of their rights, we should habitually insist upon the faithful observance of their agreements to remain within their respective reservations. This is the only mode by which collisions with other tribes and with the whites, can be avoided, and the safety of our frontier settlements secured.

## THE PACIFIC RAILROAD.

The Companies contracting the railway from Omaha to Sacramento, have been most energetically engaged in prosecuting the work, and it is believed that the line will be completed before the expiration of the next fiscal year. The six per cent. bonds issued to these Companies amounted on the 5th instant, to \$44,337,000, and additional work had been done to the extent of \$3,200,000. The Secretary of the Interior in August last directed my attention to the report of a government director of the U. P. R. R. Company, who had been specially instructed to examine the location, construction, and equipment of the road. I submitted to the Attorney General, certain questions in regard to the authority of the Executive, which arose upon this report and those which had from time to time been presented by the commissioners appointed to examine and submit a statement of the report of the Secretary of the Interior furnish specific information.

## THE NAVY OFFICE.

The Report of the Secretary of War contains information of interest and importance, reflecting on the several bureaus of the War Department, and the operations of the army. The strength of our military force, on the 30th of September last, was forty-eight thousand men, and it is computed that by the first of January next this number will be decreased to forty-three thousand men. It is the opinion of the Secretary of War, that within the next year a considerable diminution of the infantry force may be made, without detriment to the interest of the cavalry. In view of the great expense attending the military peace establishment, and the necessity of retrenchment wherever it can be applied. It is hoped that Congress will sanction the reduction which his report recommends. While in 1860 sixteen thousand three hundred men cost the nation \$16,492,000, the sum of \$65,683,000 is estimated as necessary for the support of the army for the fiscal year ending June 30, 1870. The estimates of the war debt for the last two fiscal years were, for 1867, \$33,814,461, and for 1868, \$25,206,669, the actual expenses during the same periods were respectively \$95,220,415 and \$124,346,648; the estimate ending December last for the year ending June 30, 1869, was \$71,124,707; the expenditures for the first quarter ending the 30th of September last were \$27,211,117, and the Secretary of the Treasury gives \$66,000,000 as the amount that will probably be required during the re-

maining three quarters, if there should be no reduction of the army, making its aggregate cost for the year considerably in excess of ninety three millions. The difference between the estimates and expenditures for the three years which have been named is thus shown to be \$175,643,943 for this single branch of the public service.

## THE NAVY OFFICE.

The report of the Secretary of the Navy exhibits the operations of that Department and of the Navy during the year. A considerable reduction of the force has been effected. There are forty-two vessels carrying four hundred and eleven guns, the six squadrons which are established in different parts of the world. Three of these vessels are returning to the United States, and four are used as store-ships, leaving the actual cruising force thirty-five vessels, carrying three hundred and fifty-six guns. The total number of vessels in the navy is two hundred and six, including seventeen hundred and forty-three guns. Eighty-one vessels of every description are in use, armed with six hundred and ninety-six guns. The number of enlisted men in the service, including apprentices, has been reduced to eight thousand five hundred. An increase of navy yard facilities is recommended as a measure which will, in the event of war, be promotive of economy and security. A more thorough and systematic survey of the North Pacific Ocean is advised in view of our recent acquisitions, our expanding commerce, and the increasing intercourse between the Pacific States and Asia. The Naval Pension fund, which consists of a moiety of prizes captured during the war, amounts to \$14,000,000.

Expenditure is taken to the act of the 23rd of July last, which reduces the interest on the fund loaned to the Government by the Secretary, as trustee, to three per cent. instead of six per cent. which was originally stipulated when the investment was made. An amendment of the pension law is suggested to remedy omissions and defects in existing enactments. The expenditures of the Department during the last fiscal year were \$20,120,394, and the estimates for the coming year amount to \$20,953,314.

## THE POST OFFICE.

The Postmaster-General's report furnishes a full and clear exhibit of the operations and condition of the postal service. The ordinary postal revenue for the fiscal year ending June 30th, 1868, was \$10,292,600, and the total expenditures, embracing all the service for which special appropriations have been made by Congress, amounted to \$22,730,592. Showing an excess of expenditures the amount of \$16,438,991, deducting appropriations for ocean steamships from the expenditures the sum of \$1,896,255 and other special services, the excess of the expenditure was \$4,541,466. By using an unexpended balance in the treasury \$3,800,000, the actual sum for which a special appropriation is required to meet the deficiency is \$741,466. The causes which produced this large excess of expenditures over revenue were the restoration of service to the largest States, and the putting into operation of new services established by Congress, which amounted, within the last two years and a half to about \$7,700 miles, equal to more than one third of the whole amount of the service at the close of the war. New postal conventions with Great Britain, North Germany, Belgium, the Netherlands, Switzerland and Italy, respectively, have been carried into effect. Under their provisions important improvements have resulted in a reduced rate of interest on postage, and enlarged mail facilities with European countries. The cost of the United States trans-Atlantic ocean mail service since January last, 1868, has been largely lessened under the operations of these new conventions, a reduction of over one-half having been effected under the new arrangement of ocean mail steamship service which went into effect on that date. The attention of Congress is invited to the practical suggestions and recommendations made in his report by the Postmaster General.

## CORDIALITY WITH FOREIGN NATIONS.

No important question has occurred during the last year in our accustomed cordial and friendly intercourse with Costa Rica, Guatemala, Honduras, San Salvador, France, Austria, Belgium, Switzerland, Portugal, the Netherlands, Denmark, Sweden, and Norway, Rome, Greece, Turkey, Persia, Egypt, Liberia, Morocco, Tripoli, Tunis, Muscat, Siam, Borneo, and Madagascar. Cordial relations have also been maintained with the Argentine and Oriental Republics.

## THE PARAGUAY MATTER.

The expressed wish of Congress that our national good offices might be tendered to those republics, and also to Brazil and Paraguay, for bringing to an end the calamitous war which has so long been raging in the valley of La Plata, has been assiduously complied with and kindly acknowledged by all the belligerents. That important negotiation, however, has thus far been without result. Charles A. Washburn, late United States Minister to Paraguay, having resigned, and being desirous to return to the United States, the Rear Admiral commanding the South Atlantic Squadron was early directed to send a ship of war to Assencion, the capital of Paraguay, to receive Mr. Washburn and his family and remove them from a situation which was represented to be endangered by

faction and foreign war. The Brazilian commander of the allied blockading force refused permission to the Wasp to pass through the blue kadling forces, and that vessel returned to its anchorage. Remonstrances having been made against this refusal, it was promptly overruled, and the Wasp, therefore, resumed her errand, and conveyed them to a convenient port. In the meantime, an excited controversy had arisen between the President of Paraguay and the late United States Minister, which is understood grew out of his proceeding in giving asylum in the United States Legation to alleged enemies of that Republic. The question of the right to give asylum is difficult and often productive of great embarrassment. In States well organized and established foreign powers refuse either to concede or exercise such right, except as to persons actually belonging to the diplomatic service. On the other hand, all such powers insist upon exercising the right of asylum in States where the law of nations is not fully acknowledged, required, and obeyed. The President of Paraguay is understood to have opposed Mr. Washburn's proceedings, the injurious and very improbable charge of personal complicity in insurrection and treason. The correspondence, however, has not reached the United States. Mr. Washburn, in connection with this controversy represents that two United States citizens attached to the Legation were arbitrarily seized at his side when leaving the capital of Paraguay, committed to prison, and there subjected to torture for the purpose of procuring confessions of their own criminality and testimony to support the President's allegations against the United States Minister.

Mr. McMahon, the newly appointed Minister to Paraguay, has reached the La Plata. He has been instructed to proceed without delay to Assencion, there to investigate the whole subject. The Rear Admiral commanding the United States South Atlantic Squadron has been directed to attend the new Minister with a proper naval force to sustain such just demands as the occasion may require, and to vindicate the rights of the United States citizens referred to and of any others who may be exposed to danger in the theater of war. With these exceptions, friendly relations have been maintained between the United States and Brazil and Paraguay.

## THE CURRENCY QUESTION.

In referring to the condition of the circulating medium, I shall merely reiterate, substantially, that portion of my last Annual Message which relates to that subject. The proposition which the currency of any country should bear to the whole value of the annual product circulated by its means is a question upon which political economists have not agreed, nor can it be controlled by legislation, but must be left to the irrevocable laws which everywhere regulate commerce and trade. The circulating medium will ever irresistibly flow to those points where it is in greater demand. The law of demand and supply is as unerring as that which regulates the tides of the ocean, and indeed currency, like the tides, has its ebbs and flows throughout the commercial world. At the beginning of the rebellion the bank note circulation of the country amounted to not much more than two hundred millions of dollars. Now the circulation of National bank notes and those known as legal tenders is nearly seven hundred millions, and while it is urged by some that this amount should be increased, others contend that a decided reduction is absolutely essential to the best interests of the country. In view of these diverse opinions, it may be well to ascertain the real value of our paper issues; when compared with metallic or convertible currency. For this purpose let us inquire how much gold and silver could be purchased by the seven hundred millions of paper money now in circulation.

Probably not more than half the amount of the latter. Showing that our paper currency if compared with gold and silver, its commercial value is compressed into three hundred and fifty millions. This striking fact makes it the obvious duty of the Government, as early as may be consistent with the principles of sound political economy, to take such measures as will enable the holder of its notes, and those of the national banks, to convert them without loss into specie or its equivalent. A reduction of our paper circulating medium may not necessarily follow; this, however, would depend upon the law of demand and supply, though it should be borne in mind, that by making legal tender and bank notes convertible into coin or its equivalent, their present specie value in the hands of their holders would be enhanced one hundred per cent. Legislation for the accomplishment of a result so desirable, is demanded by the highest public

considerations. The Constitution contemplates that the circulating medium of the country shall be uniform in quality and value. At the time of the formation of that instrument, the country had just emerged from the war of the Revolution, and was suffering from the effects of a redundant and worthless paper currency. The sagacity of that period was anxious to protect their property from the evils which they themselves had experienced. Hence, in providing a circulating medium they conferred upon Congress the power, to coin money and regulate the value thereof, at the same time prohibiting the State from making anything but gold and silver a tender in payment of debts. The anomalous condition of our currency is in striking contrast with that which was originally designed. Our circulating medium now embraces, first, notes of the national banks, which are made receivable for all dues to the Government, excluding impost, and by all its creditors, excepting in payment of interest upon its bonds and the securities themselves. Second: Legal tender notes issued by the United States and which the law requires shall be received as well in payment of all debts between citizens as of all government dues, excepting impost, and Third: gold and silver coin. By the operation of our present system of finance, however, the metallic currency when collected is reserved only for one class of government transactions, who holding its bonds, semi-annually receive their interest in coin from the National Treasury. There is no reason which will be accepted as satisfactory by the people, why those who defend us on the land and protect us on the sea, the pensioners upon the gratitude of the nation, bearing the scars and wounds received while in the service, the public servants in the various departments of the Government, the farmer who supplies the soldiers of the army and the sailors of the navy, the artisan who toils in the nation's workshop, or the mechanics and laborers who build its edifices and construct its forts and vessels of war, should in payment of their just and hard earned dues, receive depreciated paper, while another class of their countrymen, no more deserving, are paid in coin of gold and silver. Equal and exact justice requires that all the creditors of the Government should be paid in a currency possessing a uniform value. This can only be accomplished by the restoration of the currency to the standard established by the Constitution, and by this means we would remove a discrimination which may, if it has not already done so, create a prejudice and spread, and imperil the national credit. The feasibility of making the currency correspond with the constitutional standard, may be seen by a reference to a few facts derived from our commercial statistics.

The aggregate product of precious metals in the United States from 1840 to 1867, amounted to \$1,174,000,000, while for the same period the net exports of specie were \$44,000,000. This shows an excess of product over net exports of \$1,130,000,000. There are in the Treasury \$108,437,933; in coin in circulation in the States on the Pacific coast about forty millions, and a few millions in the circulation of the United States in all less than one hundred and sixty millions. Taking into consideration the specie in the country prior to 1840, and that produced since, and we have more than two hundred millions not accounted for by exportation or by the returns of the Treasury, and therefore, most probably, remaining in the country. These are important facts, and show how completely the interior currency will supersede the better, forcing it from circulation among the masses and causing it to be exported, as a mere article of trade, to add to the money capital of foreign lands. They show the necessity of restoring our paper money, that the return of gold and silver to the avenues of trade may be invited and a demand created which will cause the retention at home of at least as much of the productions of our rich and inexhaustible gold bearing fields, as may be sufficient for the purposes of circulation. It is unreasonable to expect a return to a sound currency so long as the government and banks by continuing the issues of irredeemable notes, fill the channels of circulation with depreciated paper. Notwithstanding a currency by its nature is a medium of exchange by which the government and banks, the people are now strangers to the currency which was designed for their use and benefit, and specimens of the precious metals, bearing the national device, are sold even, except when produced to gratify the interest excited by their novelty.

If depreciated currency is to be continued as the permanent currency of the country, and all our coin to become a mere article of speculation, to the enhancement of the price of all that is indispensable to the comfort of the people, it will be wise economy to abolish our mint, thus saving the nation the care and expense incident to such establishments, and let all our precious metals be exported to foreign lands. Every coin, however, when the government and national banks are required to take the most efficient steps and make all necessary arrangements for redemption of specie payments. Let specie payments once earnestly be inaugurated by the government and banks, and the value of paper currency would directly approximate to a specie standard. Specie payments having been resumed by the government and the banks, all coins or bills of paper issued by either of a denomination twenty dollars, should be excluded from circulation, so that the people may have the benefit and convenience of a gold and silver currency, which in all their business transactions will be uniform in value at home and abroad. Every coin, property or industry, every man who desires to preserve what he honestly possesses or to obtain what he honestly earns, has a direct interest in the restoration of the circulating medium as shall be real and substantial, not liable to vibrate with opinions, not subject to be blown up or blown down by the whims of speculation, but to be made stable and secure.

A discarded currency is one of the greatest political evils. It undermines the virtuous economy for the support of the social system, and encourages propensities destructive of its happiness. It was against industry, frugality and economy, and it fostered the evil spirit of extravagance and speculation. It has been asserted of one of our great contrivances for the purpose of making the laboring class more comfortable, that it has done more to ruin the laboring class than to benefit it. It has been said that which helps them with paper is that which helps them with gold. CONCLUDED ON SECOND PAGE.